

**DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
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Department of Mental Health, Retardation and Hospitals

Fellowship Health Resources, Inc.

REPORT ON CONTRACT COMPLIANCE

For the Fiscal Years Ended June 30, 2000 and 1999

EXECUTIVE SUMMARY

The prior audit report for Fellowship Health Resources, Inc., issued February 15, 2000 by the Bureau of Audits, had no significant recommendations.

Based on our contract compliance engagement for the fiscal years ended June 30, 2000 and 1999 we determined the following:

1. There was an unauthorized excessive budget line item variance in the Community Support and Related Services Program.
2. The MHRH funded Community Support and Related Services Program had excess revenues in the amounts of \$66,633 and \$81,700 for the fiscal years ended June 30, 2000 and 1999, respectively.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

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August 24, 2001

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall – 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Fellowship Health Resources, Inc., (Center) for the fiscal years ended June 30, 2000 and 1999.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and to the Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of the Center for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- compliance with contract terms,
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

BACKGROUND

Fellowship Health Resources, Inc., located at 25 Blackstone Valley Place – Suite 300, Lincoln, Rhode Island, is a nonprofit corporation established under the State's General Laws. The provider, incorporated in 1977, is governed by a board of directors consisting of no less than 12 nor more than 24 members elected annually.

Residential Programs

The provider operates eight residential facilities which provide supervision, independent living skills training, case management services, and transportation to the clients enrolled in the program. The location, date established, and licensed capacity of the facilities are presented below.

<u>Facility</u>	<u>Established</u>	<u>Licensed Capacity</u>
Westwick House 46 West Warwick Avenue West Warwick, RI	1974	10
Fellowship House 1257 Cranston Street Cranston, RI	1981	9
Ocean State Outreach Program 422 Post Road (Office) Warwick, RI		
27 Dora Street	1987	4
2 Harkness Street	1990	4
68 Harrison Street Providence, RI	1990	2
1612 Broad Street Cranston, RI	1987	9
Hope Street Apartments Program 255 Hope Street (Office) Providence, RI		
569-575 Hope Street	1994	10
399-401 Morris Avenue Providence, RI	1999	6



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Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall -2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Fellowship Health Resources, Inc., (Center) solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health Care Service's financial terms and conditions contained within the Community Support, Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2000 and 1999, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining allowable costs, accuracy of reported activities, and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of excess funding by MHRH for the fiscal years ended June 30, 2000 and 1999. Further, there was an instance of noncompliance with a provision contained in the financial terms and conditions with the contracts stated above. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director  
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This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
February 16, 2001

SMC:pb



DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
STATEMENT OF REVENUES AND EXPENSES  
FISCAL YEAR ENDED JUNE 30, 2000

	Community Support, Residential, and <u>Acute Alternatives</u>	Title XIX <u>Medicaid</u>	<u>Other</u>	<u>Total</u>
<u>Revenues</u>				
Grant Funding	\$ -	-	313,147	313,147
Title XIX Medicaid	-	2,210,803	-	2,210,803
Rent Subsidy	34,230	-	-	34,230
Client Fees	153,271	-	-	153,271
Investment Income	480	-	-	480
Miscellaneous	3,670	-	-	3,670
			-	
Total Revenues	\$ 191,651	2,210,803	313,147	2,715,601
<u>Expenses</u>				
Personnel	1,493,138	-	-	1,493,138
Operating	810,135	-	-	810,135
Purchased Equipment	32,548	-	-	32,548
Total Expenses	\$ 2,335,821	-	-	2,335,821
<u>Other Financing Sources (uses)</u>				
Interfund Transfer - Title XIX-Medicaid	2,210,803	(2,210,803)	-	
Excess of Revenues over Expenses	\$ 66,633	-	313,147	379,780

See accompanying notes to financial information.

:SP-48a

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 FELLOWSHIP HEALTH RESOURCES, INC.  
 STATEMENT OF REVENUES AND EXPENSES  
 FISCAL YEAR ENDED JUNE 30, 1999

	Community Support, Residential, and <u>Acute Alternatives</u>	Title XIX <u>Medicaid</u>	<u>Total</u>
<u>Revenues</u>			
MHRH	\$ 1	-	1
Title XIX Medicaid	-	1,993,817	1,993,817
Rent Subsidy	39,412	-	39,412
Client Fees	150,541	-	150,541
Investment Income	443	-	443
Miscellaneous	4,850	-	4,850
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 195,247	1,993,817	2,189,064
	<hr/>	<hr/>	<hr/>
<u>Expenses</u>			
Personnel	1,304,266	-	1,304,266
Operating	739,387	-	739,387
Purchased Equipment	63,711	-	63,711
	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 2,107,364	-	2,107,364
	<hr/>	<hr/>	<hr/>
<u>Other Financing Sources (Uses)</u>			
Interfund Transfer-Title XIX Medicaid	1,993,817	(1,993,817)	-
	<hr/>	<hr/>	<hr/>
Excess of Revenues over Expenses	\$ 81,700	-	81,700
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial information.

:SP-48b

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
 FELLOWSHIP HEALTH RESOURCES, INC.  
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM  
 FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

	<u>Fiscal Year Ended June 30</u>	
	<u>2000</u>	<u>1999</u>
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>2,210,803</u>	<u>1,993,817</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	<u>2,210,803</u>	<u>1,993,817</u>
<u>Ending Balance</u>	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial information.

:SP-48c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

NOTES TO FINANCIAL INFORMATION

Note 1 – Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting, which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding Programs in Community Mental Health Centers. Under this basis; revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 – Other Programs

These accounts represent funding from sources other than MHRH Division of Behavioral Health Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

STATUS OF PRIOR AUDIT RECOMMENDATIONS – JUNE 30, 1998

There were no prior significant audit recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
FELLOWSHIP HEALTH RESOURCES, INC.  
FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results of revenue excesses for the Center's programs for the fiscal years ended June 30, 2000 and 1999 (Exhibits A and B) are summarized below:

<u>Program</u>	<u>Total</u>	<u>2000</u>	<u>1999</u>
Community Support, Residential And Acute Alternatives	\$ 148,333	\$ 66,633	\$ 81,700

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has total excess revenues in the amounts of \$66,633 and \$81,700 for the fiscal years ended June 30, 2000 and 1999, respectively. The Department of MHRH determines the use and disposition of excess revenues.

An excessive budget line item variance occurred in the Community Support, Residential, and Acute Alternatives contract for the fiscal year ended June 30, 1999. Addendum II, Section II-4 of the financial terms and conditions states in part:

"An amendment to the approved budget on file with the Department and included in summary fashion as part of this contract, is required when:

a.) There is a line item deviation of 10% or \$5,000, whichever is greater;...

"Spending beyond the budget without amendment will result in the disallowance of the added expenditure."

The line item in excess of 10% or \$5,000, whichever is greater is as follows:

<u>Line Item</u>	<u>6/30/99</u>
Contractual (Clinical)	\$ 9,816 – Excessive Amount

The Center did not submit a line item budget amendment request relating to the above line item to MHRH as required by the above State contract provisions.

### Recommendation

1. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.